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Centre number

Candidate number

Surname \_\_\_\_\_

Forename(s) \_\_\_\_\_

Candidate signature \_\_\_\_\_

# A-level BUSINESS

Paper 2 Business 2

Monday 11 June 2018

Afternoon

Time allowed: 2 hours

## Materials

For this paper you must have:

- a calculator.

## Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided.  
Do not write outside the box around each page or on blank pages.
- Do all rough work in this answer book. Cross through any work you do not want to be marked.

## Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 100.

| For Examiner's Use |      |
|--------------------|------|
| Question           | Mark |
| 1.1                |      |
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Answer **all** questions in the spaces provided.

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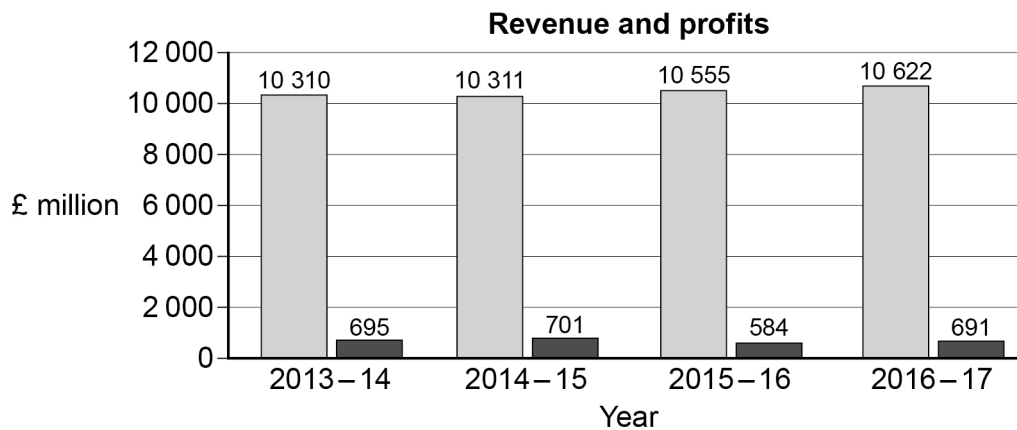
Marks and Spencer plc is one of the UK's leading retailers. It provides its own-brand food, clothing and home products in 1433 stores worldwide and online.

**Appendix A** Extracts from Marks and Spencer plc's published financial accounts

**Balance sheet as at 1 April 2017**

|                         | £ million |
|-------------------------|-----------|
| <b>Assets</b>           |           |
| Non-current assets      | 6 569     |
| Current assets          | 1 723     |
| <b>Liabilities</b>      |           |
| Current liabilities     | 2 368     |
| Non-current liabilities | 2 774     |
| <b>Net assets</b>       | 3 150     |
| <b>Equity</b>           |           |
| Total equity            | 3 150     |

**Appendix B** Marks and Spencer plc's revenue and operating profit 2013–14 to 2016–17



**Key:** ■ Revenue ■ Operating profits



**Appendix C** Marks and Spencer plc customer data for financial year ending 1 April 2017

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|                   | Total number of customers | Percentage change on previous year | Average number of times a year a customer buys from Marks & Spencer | Percentage change on previous year |
|-------------------|---------------------------|------------------------------------|---|------------------------------------|
| Food              | 20.5 million              | +2.0%                              | 22.5  | 0%                                 |
| Clothing and home | 24.6 million              | 0%                                 | 7.2   | -5.3%                              |

**Appendix D** Marks and Spencer plc online data

|                      | 2016–17        | Percentage change on previous year |
|----------------------|----------------|------------------------------------|
| Total online revenue | £836.3 million | +5.6%                              |
| Weekly site visits   | 8.3 million    | +11%                               |

**Appendix E** Information on Marks and Spencer plc's Board of Directors in 2017

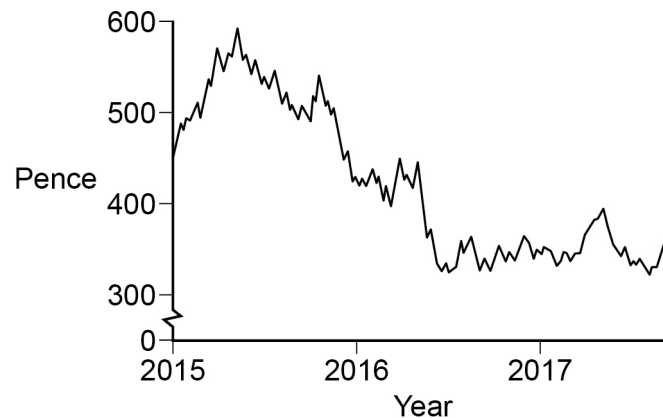
**International experience:** directors come from the following countries

China      Germany      Hong Kong      India      Japan      Italy  
UK      Spain      Netherlands      Poland      South Africa      USA

**Gender diversity:** 70% of directors are male, 30% female

**Industry sector experience of directors:** retail 90%, consumer 100%, finance 60%, e-commerce and technology 40%

**Appendix F** Marks and Spencer plc's share price



Turn over ►



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Explain, with an example, what is meant by non-current assets.

[2 marks]

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0 1 . 2

Explain **one** possible reason why the share price of Marks and Spencer plc fell between mid-2015 and the end of 2017.

[3 marks]

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0 1 . 3

Calculate the following ratios for Marks and Spencer plc for the financial year ending 1 April 2017 to two decimal places.

[9 marks]

The return on capital employed \_\_\_\_\_

Workings \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

The gearing ratio \_\_\_\_\_

Workings \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

The current ratio \_\_\_\_\_

Workings \_\_\_\_\_

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Question 1 continues on the next page

Turn over ►



0 1 . 4

Using **Appendix E**, explain **two** potential benefits to Marks and Spencer plc of the diversity of its Board of Directors.

**[6 marks]**

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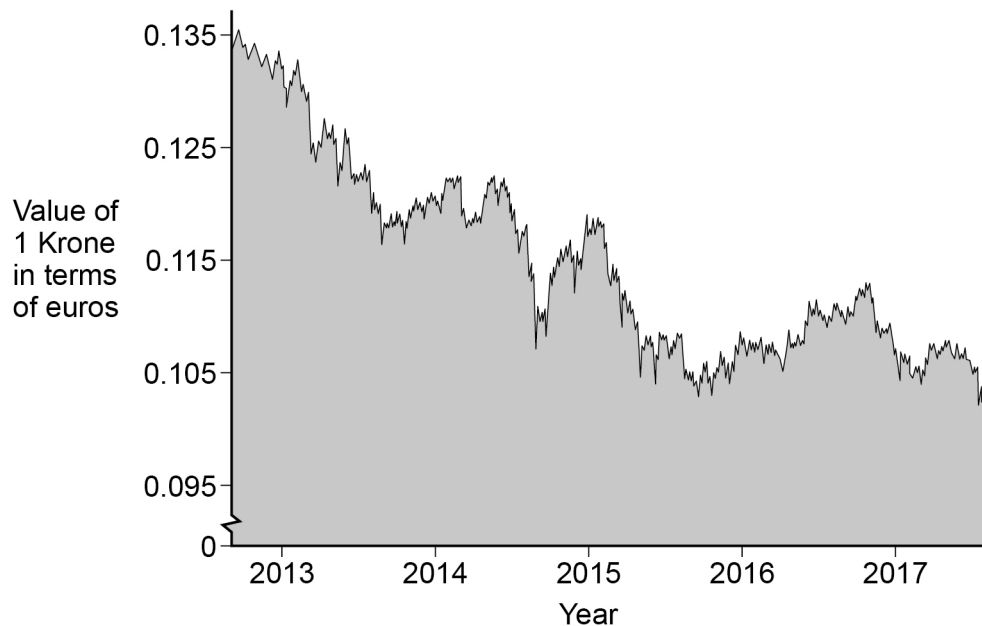
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### Lego

The Lego Group is one of the largest manufacturers and retailers of play material in the world. It is a private limited company based in Denmark that is wholly owned by the Kristiansen family. The company's product range includes Lego, Lego Duplo, Lego Star Wars and Lego Friends.

Lego has been investing heavily in recent years; this has reduced the funds available for dividends. It is building new facilities in China and Mexico as part of its strategy to locate production nearer its markets. The company also invests significantly in attempts to spot consumer trends through market research and in new product development. Each year, new product launches account for approximately 60% of the company's sales.

The company's profits are calculated in the Danish currency, the Krone. Given that it is a global business selling in over 130 countries and buying resources from around the world, the company's profits depend partly on exchange rates. A significant proportion of its sales are in Europe.



The company's mission statement is to 'Inspire and develop the builders of tomorrow'. Its culture is based on openness, trust and its core values of 'Creativity, Imagination, Fun, Learning, Quality and Care'. Lego's managers say that its continued success is made possible by the culture of the business and that it is important to take actions to help ensure employees share this culture.



0 2 . 1

Lego is a private limited company. Analyse how the decisions its managers make might be different if it was a public limited company.

**[9 marks]**

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**0 2 . 2**

Analyse the actions managers at Lego might take to help ensure that its employees share the culture of the business.

**[9 marks]**

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0 3

Read the information below and then answer the questions that follow.

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### Global Airways (GA)

Cabin crew are staff on an airplane who look after the passengers. The managers of Global Airways (GA) have recently proposed new pay levels for cabin crew who join the company from January 2019. Their pay would be lower than the cabin crew already employed by the company. This is part of an effort by GA to cut costs to enable the business to be more price competitive in response to aggressive price cuts by rivals. GA managers believe that cutting the price of its tickets can help to increase the airline's operating profit margins on its flights.

A trade union, called UAS, represents many of the cabin crew staff. UAS has complained about the proposed pay levels. There has been one meeting so far between the UAS and senior management about the proposal. Managers want the pay deal to go ahead, UAS does not.

Since the meeting:

- UAS is considering whether to advise GA's cabin crew that they take strike action
- the managers of GA have arranged to lease planes and use crew from another airline if needed. Managers believe that with these contingency plans GA could operate over 99% of its normal flight schedule
- the managers have undertaken new research (Appendix G).

### Appendix G New research for GA's management

- Income elasticity of demand for GA flights: +1.5
- Estimated annual income changes of GA's target market 2018–2020: –2%
- Cabin crew membership of UAS union has increased this year to 65%



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**0 3 1**

GA is considering cutting the price of its tickets. Explain how this might increase its operating profit margin on each ticket sold.

[5 marks]

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**5**

**Question 3 continues on the next page**

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0 3 2

Lewin's force field analysis identifies driving and restraining forces. Analyse one driving force **and** one restraining force in **Appendix G** for the proposed change to the pay levels for cabin crew.

**[9 marks]**

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**0** **3** **3**

To what extent do you think it is essential for an airline to undertake contingency planning?

**[16 marks]**

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**END OF QUESTIONS**

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